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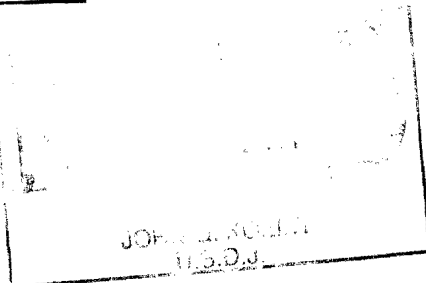
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January 4, 2011

VIA FACSIMILE

Hon. John G. Koeltl
United States District Court for the Southern District of New York
500 Pearl Street
New York, New York 10007

Re: Atlantis Rehabilitation and Residential Health Care Facility v. Paterson (10-cv-3979)

Dear Judge Koeltl:

Pursuant to this Court's September 30, 2010 memorandum endorsed, we are writing on behalf of both plaintiffs and defendants to report on the status of the above-entitled action. Under the terms of the joint application of the parties, so-ordered on June 30, 2010, three things that had to occur before plaintiffs could move for a preliminary injunction and trigger defendants' time to respond to the Complaint – (a) approval by the Center for Medicare and Medicaid Services; (b) the adoption of a budget by the State of New York for FY2010-11; and (c) approval of reimbursement rates by the Director of the Budget of the State of New York. On September 30, 2010, we advised Your Honor that the only one of these events which has occurred was that the State of New York had adopted a budget for FY2010-11.

To date, neither of the other two events (approval by the Center for Medicare and Medicaid Services and by the Director of the Budget) has occurred.

Respectfully submitted,

Fran M. Jacobs

Fran M. Jacobs

cc: Scott J. Spiegelman, Assistant Attorney General (by e-mail)

1/4/11

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The parties should provide a status report by 3/4/11.

so ordered.

for 6/1/11/4.5.D.5.